

July 14, 2008

David Botelho, Chief Office of State Audits and Evaluations (OSAE) Department of Finance 300 Capital Mall, Suite 801 Sacramento, CA 95814

Dear Mr. Botelho:

Attached is the Department of Mental Health's (DMH) May and June 2008 update to the internal control corrective action plan in response to OSAE's report, "Review of Claims Processes for the California Department of Mental Health's Short-Doyle/Medi-Cal Programs." These updates reflect DMH's continued commitment to tracking and implementing the corrective actions.

- Corrective actions in our plan with May and June 2008 due dates have been implemented as follows:
 - The DMH Letter 08-03 was sent out May 8, 2008 stating that all claims must be submitted with National Provider Identifiers (NPI) by May 23, 2008. Counties began testing with NPI requirements on April 1, 2008 (observation 4A).
 - Client Index Number (CIN) usage will replace the Social Security Number (SSN). The DMH continues to work with counties on the transition from the SSN to the CIN at the DMH bi-weekly SD/MC Claiming System Meeting.
 - As of October 2007, DMH and DHCS CIOs have been meeting regularly to ensure project approval; testing protocol, change control, and system development are done in a coordinated, documented, and accountable manner. The DMH has established the SD/MC II Steering Committee to work collaboratively with DHCS in developing the new claiming system. In addition, DMH and DHCS have developed a Joint Decision Matrix that is updated and discussed at weekly meetings (observation 3B).
- The DMH continues to communicate with the California Health and Human Services Agency (CHHS), Office of System Integration (OSI), and the Department of Alcohol and Drug Programs (ADP) regarding DHCS Short-Doyle II system development and implementation. A meeting was convened May 14, 2008 among CHHS Office of HIPAA Implementation (OHI), DMH, and ADP, where ADP and DMH were able to openly discuss SDII system progress and issues (observation 3A).
- > The DMH Program Compliance Division continues to monitor implementations of its risk assessment process. DMH has maintained communication and consultation with OSAE and will submit a copy of this drafted plan in order to ensure that what DMH develops is consistent with OSAE standards and practices (observation 9C).
- > DMH has adjusted the target date for the corrective actions that will ensure timely cost settlements and audits to October 2008. Through our analysis and management discussions, it has been determined that this corrective action may require substantial investment of time, planning, and dialogue with counties, control agencies, and the Legislature (observation 9A-C).

Per OSAE standards, our formal six month update will be produced in September 2008. We will continue to submit monthly updates to our corrective action plan to keep you informed of our progress. We appreciate your continued support.

Sincerely,

Sean Tracy Chief, Strategic Planning & Policy DMH Director's Office

Attachments: July-August 2008 Claims Early Warning sheet, SD/MC Claims Corrective Action Plan

Claims Early Warning Sheet July-August 2008



DMH & DHCS Corrective Action Plan in Response to OSAE Mental Health Medi-Cal Claims Review (December 2007) Early Warning: Upcoming Recommendation Due Dates

Please refer to the claims corrective action plan for more specific DMH actions.

OSAE Observation 2: Information Technology Systems are Unreliable, Outdated, and at Risk of Failure

Recommendation	Due Date & Status	Responsible Party
2A) DHCS should make implementation of the new SD/MC System the top priority and take steps to develop and install a replacement system without delay.	7/1/2008 Ongoing	Denise Blair, DMH CIO; Mike Nguyen, DHCS Acting CIO; Stan Bajorin, DMH Administration and Fiscal Services.
2D) DMH should expedite the acquisition and installation of the COTS claims accounting system to replace the Access 97 Database.	7/1/2008 Ongoing	Stan Bajorin, DMH Administration and Fiscal Services; Denise Blair, DMH, CIO.
2E) DMH should work with the State Controller's Office (SCO) to implement electronic filing of claims schedules.	7/1/2008 Ongoing	Stan Bajorin, DMH, Administration and Fiscal Services; Denise Blair, DMH, CIO.; Mike Nguyen, DHCS, Acting CIO.

OSAE Observation 3: Information Technology Controls, Coordination, and Communication are Inadequate

		Responsible Party
	& Status	
3B (cont'd) Process improvements and development will continue between	7/1/2008	Denise Blair, DMH CIO; Mike Nguyen
ADP, DMH, and DHCS with the goal of establishing MOUs and/or service level		DHCS Acting CIO
agreements.	Ongoing	

OSAE Observation 6: Accounting and Reporting Systems Do Not Provide Timely and Accurate Information

	Due Date & Status	Responsible Party
6D) Establish procedures requiring the prompt identification, collection, and remittance to CMS of any overpaid FFP funds.	Ongoing	Stan Bajorin, DMH, Administration and Fiscal Services; Sara Murillo, DMH Accounting; Irv White, Chief, DHCS Waiver Unit

OSAE Observation 8: The risk of FFP billing errors still exists.

	Due Date & Status	Responsible Party
8A) Reduce claims processing times to comply with state and federal standards. Observation 5 identifies actions DMH should take to improve claims processing times.		Stan Bajorin, Administrative and Fiscal Services; Sara Murillo, DMH, Accounting Officer.
8B) Establish performance benchmarks for key processing tasks and monitor compliance with those benchmarks.		Stan Bajorin, Administrative and Fiscal Services; Irv White, Chief, DHCS Waiver Unit; Dina Kokkos-Gonzales, DHCS.

DMH Corrective Action Plan in response to OSAE Review of Claims Processes

Name of Departmen	nt: Mental Health		Date of Report: January 2008		
	SHORT-DO	YLE/MEDI-CAL CLAIMS PROCESSING CORREC	TIVE ACTION PLAN		
OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	DATE OF ACTION PLANNED
Programs, Processes, and Systems is Ineffective	(A) Improve communication between DMH and DHCS. This communication should include timely notification of any issues that jointly impact both departments' daily operations. Current interdepartmental weekly meetings should be expanded to included problem identification and resolution as a regular agenda item. At these meetings, both departments should be free to air any issues that cross departmental lines. Develop a process that allows line staff to bring concerns to management for resolution immediately or at the interdepartmental meetings.	addition, DMH has sponsored weekly Fiscal Services Management meetings that communicate and collaborate on problem identification and resolution, around the business issues involving Medi-Cal and other mental health services. DHCS has been an active and complete participant in these weekly discussions. DMH has created	l '	Sean Tracy, DMH Director's Office	Implemented 02/2008 Ongoing
		weekly meetings; Monthly Short-Doyle/Medi-Cal (SD/MC) meetings with DMH and the Department of Alcohol and Drug Programs which focus on the current system maintained by the DHCS Information Technology Services Division (ITSD); Monthly working meetings and Advisory Board meetings for the SD/MC Phase II Project, with remediation efforts underway for SD/MC Phase II.	integrity in billing under the Medi-Cal Specialty Mental Health Services Consolidation (SMHSC) waiver program, DHCS agrees that the scope of	Irv White, DHCS Waiver Unit	Implemented 02/2008 Ongoing

	SHORT-DOYLE/MEDI-CAL CLAIMS PROCESSING CORRECTIVE ACTION PLAN						
OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	DATE OF ACTION PLANNED		
(continued) OBSERVATION 1: Governance Over the Short-Doyle/Medical Programs, Processes, and Systems is Ineffective	MHPs. Establish a centralized point of contact	Association (CMHDA) Financial Services Committee, Small County Committee, and All-Directors meetings, Mr. Bajorin has communicated that he is the central point of contact when County Mental Health Directors are not getting the information necessary to resolve claims issues. Mr. Bajorin has also designated Division Managemeth to serve as specialists to resolve multiple county claims issues and problems, which has worked to the CMHDA's and individual county's satisfaction on numerous	As of March 2008, DMH will continue the immediate point of contact services provided by Mr. Bajorin. In addition, DMH has hired a Financial Services Manager (SSM III) and a Fiscal Policy Manager (SSM III) in recent months. These experienced DMH managers will be working to determine the most effective central point of contact so that MHPs can address issues related to Short-Doyle Medi-Cal Fiscal and Accounting issues involving DMH. DMH also proposed in the Governor's Budget Balancing Reductions that a Short-Doyle MediCal Unit be established to produce efficiencies and cost savings as a result of improvements to our business process.	Stan Bajorin , DMH Administration & Fiscal Services Division; Denise Arend, DMH Community Services Division	Implemented as of 3/1/2008 Ongoing		
	(C)Develop performance benchmarks for SD/MC claims processing tasks, and regularly evaluate actual performance against these benchmarks. Promptly investigate significant variances and correct tasks/activities as needed.		DMH will work with DHCS to eliminate redundancy and duplication of efforts in processing of FFP invoices. DMH will also be reporting to CMHDA and other interested parties the progress of efforts and documentation of benchmarks.	Stan Bajorin, DMH Administration & Fiscal Services Division; Sara Murillo, DMH Accounting Officer	10/1/2008		
			If not already incorporated performance benchmarks for SD/MC Phase II could be developed and perfected as the project is formally structured and documented with an executive sponsor, stakeholders, steering committee, project manager, and advisory and working groups.	Mike Nguyen, DHCS Acting CIO; Denise Blair, DMH CIO	7/1/2009		

	SHORT-DO	YLE/MEDI-CAL CLAIMS PROCESSING CORREC	CTIVE ACTION PLAN		
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(continued) OBSERVATION 1: Governance Over the Short-Doyle/Medical Programs, Processes, and Systems is Ineffective	(D) Assign overall authority and responsibility for the SD/MC Program and Payment System to one individual or centralized unit within DMH.	As of March 2008, DMH conducted an internal Administrative and Accounting Controls evaluation of current systems and identified that there was a strong need for centralized coordination and decision making about claims payment and processing problem resolution. Currently, the centralized point of authority is Stan Bajorin, the Deputy Director for Administration and Fiscal Services.	which are involved with SD/MC claims payment systems to determine the appropriate organizational placement of the unit, scope of responsibility, staffing needs (redirected), and	Stan Bajorin , DMH Administration & Fiscal Services Division; Denise Blair, DMH, CIO	3/1/2008 Implemented and Ongoing
	(E) Establish a formal risk assessment process of DMH's critical business functions and programs that regularly evaluates threats and timely mitigates these threats with appropriate control measures.	In late December 2007, DMH and DHCS Executives received an OSAE presentation on a conference call to discuss Risk Assessment Tools and Strategies. As a result, DMH, DHCS, and OSAE agreed to evaluate and adopt appropriate risk assessment tools, including the potential use of Control Self Assessments. DMH hosted OSAE and DHCS during a training forum on Risk Assessment Tools on January 18, 2008 and will invite OSAE to present other tools to the Weekly Workgroup in January and February as the Auditor's schedule permits. As of April 2008, DMH has developed a Control Self-Assessment (CSA) model and has implemented a CSA pilot project. Monthly evaluations will be conducted within the Program Compliance Division.	the pilot testing period (September 2008). DMH interviewed three fiscal candidates for the Internal Auditor position. The selected candidate decided to take a promotion with their	Office; Irv White, DHCS Medi-Cal Policy Waiver Branch; Rollin Ives, DMH Program	4/1/2008 Pilot Implemented and Ongoing

Name of Departme	ent: Mental Health		Date of Report: January 2008		
	SHO	RT-DOYLE/MEDI-CAL CLAIMS PROCESSING COI	RRECTIVE ACTION PLAN		
OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	DATE OF ACTION PLANNED
OBSERVATION 2: Information Technology Systems are Unreliable, Outdated, and at Risk of Failure	the new SD/MC System the top priority and take steps to develop and install a replacement system without delay .	DHCS has contracted with Trinity Technology Solutions to implement the Short Doyle II system on schedule. DHCS has invited DMH and ADP to an overview briefing of the project, its management, schedule, resources, and limitations for scope changes. DMH has dedicated a team of IT and business professionals to work with DHCS to implement Short Doyle II on schedule, and to meet specific DMH business needs without extensive scope change.	Process Improvement Task Force Meeting on January 17, 2008, the Members identified the need to involve the Alcohol and Drug Programs (ADP), CIO, and engage the CMHDA IT and Financial Services Committees. These local technical and MHP experts	DHCS Acting CIO; Stan Bajorin, DMH Administration and Fiscal	7/1/2009
		The actual remediation activity to replace the current system began November 20, 2007, via execution of a \$3.9 million contract awarded to Trinity Technology Group, Incorporated. Independent Project Oversight and Independent Validation and Verification contract resources for the SD/MC Phase II Project are also in place.	pursue opportunities to shorten the schedule if it appears feasible. Additionally, DHCS obtained approval for two new positions as part of this year's		7/1/2009

	SHO	RT-DOYLE/MEDI-CAL CLAIMS PROCESSING COI	RRECTIVE ACTION PLAN		
OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	DATE OF ACTION PLANNED
(continued) OBSERVATION 2: Information Technology Systems are Unreliable, Outdated, and at Risk of Failure	oversight role to monitor development and progress of the new SD/MC System, and ensure that the needs of all	In preparation of the SD II System project launch by DHCS, the CHHS has been aware of the link between this project and SD/MC claims processing improvements and HIPAA compliance. On behalf of CHHS, both the Office of HIPPA Implementation (OHI) and the Office of Systems Integration (OSI) are aware and monitoring the DHCS SD II Project. DMH and DHCS identified SD II as a key project when preparing information about priorities for the State's New CIO.	for SD II. In addition, the DMH and DHCS CIOs have agreed that the Alcohol and Drug Program should	DMH, CIO;	4/1/2008 Implemented and Ongoing
	any duplicate FFP amounts are promptly returned to DHCS.	DMH Accounting can monitor when the IPS system is inaccurately reporting invoices. DMH IT created an alert system solution that notices staff that IPS has an existing invoice with the same schedule number, service period, and program type. This alert helps DMH Accounting Staff identify problem invoices and prevents the inaccurately reporting or duplication of invoices. This has been completed with the implementation of the Cash Manager/Claim Schedule/ Invoice Processing process implemented as set forth in our reengineered process flow chart. Detailed desk procedures in process.	collaboration with DHCS. The County-State Claims	Stan Bajorin, DMH Administration and Fiscal Services; Denise Blair, DMH, CIO.	4/1/2008 Implemented and Ongoing

	SHO	RT-DOYLE/MEDI-CAL CLAIMS PROCESSING CO	RRECTIVE ACTION PLAN		
OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	DATE OF ACTION PLANNED
(continued) OBSERVATION 2: Information Technology Systems are Unreliable, Outdated, and at Risk of Failure	and installation of the COTS claims accounting system to replace the Access 97 Database.	Since June 2007, the DMH has been working with internal IT and Project Management staff, and control agencies to determine if a Commercial-Off-The-Shelf (COTS) system, complimented by enhanced supervisory controls, manual process management, Short-Doyle II, and improved business partner communications, will produce results needed to replace the current Access 97 system. DMH clearly understands the need to improve current software and manual systems.	Accounting Software COTS solution. In addition, the	Stan Bajorin, DMH Administration and Fiscal Services; Denise Blair, DMH, CIO.	7/1/2009
	` /	DMH has initiated discussions with DHCS and SCO about the potential for electronic claims filing schedules.	recruit participation from ADP to determine if	Stan Bajorin, DMH, Administration and Fiscal Services; Denise Blair, DMH, CIO. Mike Nguyen, DHCS, Acting CIO.	7/1/2009

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OBSERVATION 3: Information Technology Controls, Coordination, and Communication are Inadequate	information technology architect function that provides a uniform vision and guidance for all Medi-Cal departments to follow. The function should provide for the standardization of system platforms, create opportunities to leverage developmental costs, discourage development of incompatible information technology solutions, and ensure that systems development is based on legitimate business needs.	addition, CHHS has established an Office of HIPAA Implementation (OHI) to ensure effective implementation of HIPAA statutes, regulations, and business practices. During this project development period, the OSAE convened IT and Business Managers from DHCS, ADP, DMH, and OSAE to discuss a need	Ongoing communications among these departments. On May 14, 2008, DMH met with the CHHS California Office of HIPAA Implementation (CalOHI). In this forum, DMH and ADP were able to communicate openly regarding the progress of the SDII system. Topics of discussion included the project timeline and county involvement. DMH, DHCS, and ADP will continue to keep CHHS informed of system progress.	Denise Blair, DMH CIO. Mike Nguyen DHCS Acting CIO	4/1/2008 Implemented and Ongoing
	mutual information technology issues including systems development, prioritization of information service requests and projects, operations, and maintenance. The communications should also include an early warning process for unresolved problems and significant threats.	coordinated, documented, and accountable manner.	The DMH and DHCS CIOs have agreed on the need to develop formal written procedures and monitoring tools. In addition, the CIOs will encourage that the ADP CIO participate, especially in regard to Medi-Cal systems, like Short-Doyle II and the current claims systems. A DMH-DHCS Joint Decision Matrix has been developed and is updated and discussed at weekly meetings.		6/1/2008 Implemented and Ongoing

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	DATE OF ACTION PLANNED
continued) DBSERVATION 3: Information Technology Controls, Coordination, and Communication are Inadequate	(B) Continued	Currently, DHCS Information Technology Services Division (ITSD) has devised and uses an intake form for program fixes, file fixes, and special requests. This form is completed by the customer who identifies the problem and assigns the priority. Upon receipt, ITSD reviews the submitted form and either completes the requests or gains additional information and/or clarification from the customer. This process will be further refined by using DHCS' existing Remedy software as a tracking, prioritization, and notification tool for the work requests, operations, and maintenance until implementation or resolution. Furthermore, managers of ADP, DMH, and DHCS met the week of December 17, 2007 to develop a process for the review and approval of service requests. This is a preliminary step for ITSD in establishing memorandums of understanding and/or service level agreements.		Denise Blair, DMH CIO. Mike Nguyen DHCS Acting CIO	7/1/2008

Name of Department: Mental Health		Date of Report: January 2008			
	SHORT	-DOYLE/MEDI-CAL CLAIMS PROCESSING CO	DRRECTIVE ACTION PLAN		
OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	DATE OF ACTION PLANNED
DMH Has Not Required MHPs to Fully Implement HIPAA	HIPAA compliant prior to implementation of the new SD/MC System.	compliant prior to the implementation of SD/MC System. All but five counties* are currently submitting files in a HIPAA Compliant 837 format. Four of the remaining proprietary format counties are testing and working with DMH to become HIPAA 837 certified in the next few months. Several counties have begun testing the use of the National Provider Identifier (NPI).	DMH distributed a DMH Letter announcing the deadline to become HIPAA compliant, including National Provider Identifier (NPI) requirements, on May 8, 2008. DMH will continue to offer technical assistance and a test environment to those counties needing assistance in meeting the National Provider Identifier (NPI) requirements. Counties began testing on April 1, 2008. DMH letter 08-03 was sent out stating that all claims must be submitted with NPIs by May 23, 2008. Cal OHI issued Policy Memorandum 2008-80 on May 21, 2008 supporting the NPI contingency period coming to an end.	Denise Blair, DMH, CIO; Vonnie Ryser, DMH, HIPAA	05/01/2008 Implemented and Ongoing
	identify a new beneficiary	the counties and DMH as to whether they plan to use the client index number (CIN) or beneficiary identification card number (BIC) to replace the use of the Social Security Number.	DMH will work with counties to transition from the social security number (SSN) to either the client index number (CIN) or beneficiary identification card number (BIC), depending on which identifier DHCS decides to use. DMH and counties continually communicate in the DMH SD/MC Claiming System Biweekly Meetings. DHCS will work with DMH and ADP to eliminate the use of SSN on claims for the SD/MC system. The beneficiary identification standard will be based on data currently available in Medi-Cal electronic eligibility systems. Client Index Number usage will replace the SSN.	Denise Blair, DMH, CIO; Vonnie Ryser, DMH, HIPAA; Mike Nguyen, DHCS, Acting CIO.	05/01/2008 Implemented and Ongoing

^{*} Alpine, Placer/Sierra, Siskiyou, Ventura and Yolo Counties

Name of Department: Mental Health			Date of Report: January 2008		
	SI	HORT-DOYLE/MEDI-CAL CLAIMS PROCESSING CO	RRECTIVE ACTION PLAN		
OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	DATE OF ACTION PLANNED
OBSERVATION 5: The Current Claims Process is Flawed	(A) Combine and process both FFP and SGF amounts on one claim schedule that results in single warrant to each MHP (B) DHCS and DMH should jointly develop an automated SGF and FFP rate calculation system. In the interim, password protect all critical documents and retain hard copies.	2007. For the first time in recent history, DMH documented the Short-Doyle/ Medi-Cal Claims Process to map out the current system which will aid in this evaluation. As a result, DMH has initiated an accounting systems improvement project that will re-engineer the manual process currently in place which will also assist this evaluation. DMH and DHCS CIOs and financial managers continue to evaluate automation for rate calculation.	recommendation to DMH executive management. Throughout this evaluation, the County-Claims Payment Process Improvement Task Force will be informed and involved with the evaluation of options for combining the payments systems. Prior to reforms, DMH will establish a clearing account(needs to be statutorily established) and an Accounting System Automation Project (ASAP). Password protections will be instituted. Retention of hard copies will be evaluated for business efficiency. DMH and DHCS will evaluate the recommendation about the rate calculation system. DMH will need to implement an Accounting Software solution. Throughout this evaluation, the County-Claims Payment Process Improvement Task Force will be informed and involved with the decisions impacting the rate calculation system.	Stan Bajorin, DMH, Deputy Director of Administration and Fiscal Services; Sara Murillo, DMH, Fiscal Policy Chief. Mike Nguyen, DHCS Acting CIO; Irv White, Chief, DHCS Waiver Unit; Dina Kokkos- Gonzales, DHCS. Stan Bajorin, DMH, Deputy Director of Administration and Fiscal Services; Denise Blair, DMH, CIO; Mike Nguyen, DHCS Acting CIO; Irv White, Chief, DHCS Waiver	7/1/2009
				Unit; Dina Kokkos- Gonzales, DHCS	

	SHORT-DOYLE/MEDI-CAL CLAIMS PROCESSING CORRECTIVE ACTION PLAN							
OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	DATE OF ACTION PLANNED			
OBSERVATION 5: The Current Claims Process is Flawed	(B) continued		Phase II project and verify whether it covers the ability to calculate State General Fund and FFP rates. If the current scope does not sufficiently address the recommendation, DHCS will analyze the ability to modify the project's scope without significant impact to its timeline or budget. Alternatively, a separate solution will be considered if the potential change to the SD/MC Phase II scope is deemed unacceptable.	CIO.	07/01/2009			
	(C) DMH should eliminate the current "invoicing to DHCS for the FFP due." DHCS should use information from the SD/MC System to identify and draw the appropriate FFP funds. CMS should be consulted prior to developing a new process to ensure that all federal requirements are met.	DMH and DHCS both acknowledge that improvements can be made to the current invoicing of FFP. Reforms involving FFP will need guidance and approval by DHCS which is being discussed between DMH and DHCS. Communications with CMS is always an understood consideration by DMH and DHCS when changes to FFP processes are being considered.	DMH and DHCS will review the current invoice process and consider ways to develop streamlined procedures. DMH will need a COTS Accounting software solution. Throughout this evaluation, the County-Claims Payment Process Improvement Task Force will be informed and involved with the evaluation of options for eliminating the invoice system for FFP due to the MHPs.	Stan Bajorin, DMH, Deputy Director of Administration and Fiscal Services; Sara Murillo, DMH, Fiscal Policy Chief; Irv White, Division Chief, DHCS Waiver Unit; Mike Nguyen, DHCS Acting CIO.	7/1/2009			
			system to draw down FFP would likely eliminate a number of inefficient and labor-intensive manual and semi-automatic processes and eliminate on-going	Mike Nguyen, DHCS, Acting CIO; Irv White, Chief, DHCS Waiver Unit.	7/1/2009			

Name of Department: Mental Health			Date of Report: January 2008			
	SHORT-DO	YLE/MEDI-CAL CLAIMS PROCESSING CORRECT	IVE ACTION PLAN			
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Accounting and Reporting Systems Do Not Provide Timely and Accurate Information	(A) In conjunction with the development of the COTS, establish subsidiary ledgers for each MHP and program in sufficient detail to permit a timely determination of a given claim's payment status.	individual county spreadsheets which lists the claim schedules to monitor MHP claim status. The DMH	Individual county spreadsheets which lists the claim schedules will be utilized to improve information to Counties about claims payment status. The COTS Accounting software is critical to this action. The Administration and Fiscal Services Division management will keep the County-Claims Processing Improvement Task Force informed of developments or issues related to the manual individual county spreadsheets and its development.	Stan Bajorin, DMH, Administration and Fiscal Services; Sara Murillo, DMH Accounting Officer.	7/1/2009	
	(B) Monitor appropriation balances to ensure that sufficient SGF and FFP funds will be available for expenditure.	Manager has been developing practices and procedures to improve DMH accounting processes. The DMH Adminstration and Fiscal Services Division is conducting a reengineering evaluation of accounting that will map current manual process and identify areas for improvement. Already implemented through Cash Management	Appropriation Balances will be a topic for discussion during the meetings with the CMHDA and County-Claims Processing Improvement Task Force. The Cash Manager will be involved with this Task Force and inform the Members about developments or issues related to new practices and business improvements. As of March 2008, DMH sends county claims status reports to CMHDA and DHCS weekly.	Stan Bajorin, DMH, Administration and Fiscal Services; Susan Dingal, DMH, Accounting Office Cash Manager.	4/1/2007 Implemented and Ongoing	
	(C) Record all disallowed claims, audit findings, cost settlements, overpayments, and other adjustments as accounts receivable. DMH supervisors should review and approve all offsets before they are applied against MHP claims and liquidation of the related receivable.	receivable will be approved and monitored by DMH. The	Processing Improvement Task Force will be kept advised on the Accounts Receivable Process to evaluate progress and effectiveness.	Stan Bajorin, DMH, Administration and Fiscal Services.	10/1/2008	

SHORT-DOYLE/MEDI-CAL CLAIMS PROCESSING CORRECTIVE ACTION PLAN							
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OBSERVATION 6: Accounting and Reporting Systems Do Not Provide Timely and Accurate Information	(D) Establish procedures requiring the prompt identification, collection, and remittance to CMS of any overpaid FFP funds.	DMH established an Accounts Receivable process. The DMH Adminstration and Fiscal Services Division is conducting a reengineering evaluation of accounting that will map current manual process and identify areas for improvement. Already implemented through reengineered A/R and A/P processes.	Division management will keep the County-Claims Processing Improvement Task	Stan Bajorin, DMH, Administration and Fiscal Services; Sara Murillo, DMH Accounting	7/1/2008		
	(E) In conjunction with development of the Commercial-off-the-Shelf (COTS) and installation of the new SD/MC System, establish an automated and searchable claims tracking function that identifies claims processing times and dates, from receipt through adjudication and payment. In the interim, use control logs to accurately record this information.	DMH, DHCS and ADP are working with Trinity Technology to develop system specifications for Short Doyle II. DMH is preparing a proposal FSR for a COTS Accounting Software Solution. DMH has submitted a request for exemption to the moratorium on developing Administrative IT Systems to DOF/CIO.	a review of a better claims tracking solution. As this review develops, DMH and DHCS will share progress and consult	Stan Bajorin, DMH, Administration and Fiscal Services; Denise Blair, DMH, CIO; Sara Murillo, DMH Accounting Officer; Mike Nguyen, DHCS Acting CIO; Irv White, Waiver Unit Chief	4/1/2008 Implemented and Ongoing		

Name of Department:	Mental Health		Date of Report: January 2008		
1		OYLE/MEDI-CAL CLAIMS PROCESSING CORREC	1 3		
OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	DATE OF ACTION PLANNED
Risk of FFP Billing Errors Still Exists	(A) Eiminate the credit memo process and implement an information technology solution that separates EPSDT claims from Beneficiary Services near the beginning of the claims payment process, and before they are submitted for FFP reimbursement. This solution should include the establishment of a program cost account (PCA) for EPSDT claims.	DMH staff has worked with DHCS and as of March 2008 has eliminated credit memos. Every two weeks DMH sponsors a Short Doyle Medi-Cal Claiming Systems Meeting to discuss with counties, claims IT issues. As of March 2008, an interim process was developed in order to streamline the process. The credit memo was eliminated by a joint agreement between DHCS and DMH.	will separate EPSDT claims from	Administration and Fiscal Services; Susan Dingal, DMH, Accounting Unit; Sara Murillo,	Credit memo eliminated in March 2008, four months ahead of target date. Additional reforms target date: 07/01/2009
		DHCS Waiver Analysis Section (WAS) staff currently has to review and reconcile the EPSDT Credit Memos by comparing them to the Beneficiary Services invoices previously paid, and then certifying the accuracy of the FFP expenditures to be transferred from the Beneficiary Services funding stream to the EPSDT funding stream to pay EPSDT FFP. For WAS this is both an inefficient and laborious process.	information technology solution utilizing table-driven algorithms, and establishing a separate PCA for EPSDT FFP claims, could provide an effective solution to the risk of manually double-billing both EPSDT	DHCS; Dina Kokkos- Gonzales, DHCS; Stan Bajorin, Administration and Fiscal	Credit memo eliminated in March 2008, four months ahead of target date. Additional reforms target date: 07/01/2009

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Name of Department:	Mental Health		Date of Report: January 2008		
	SHORT-DOY	LE/MEDI-CAL CLAIMS PROCESSING CORRECTIV	/E ACTION PLAN		
OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	DATE OF ACTION PLANNED
Claims Processing Times Do Not Meet State and Federal	comply with state and federal standards. Observation 5 identifies actions DMH should take to improve claims processing times.	documented the Short-Doyle Medi-Cal Claims Process to map out the current system which will aid in this evaluation. As a result, DMH has initiated an Accounting systems improvement project that will reengineer the manual process currently in place which will also assist this evaluation. This reengineering and Commercial Off-The-Shelf Accounting Software proposals will help to improve the claims processing time and accuracy.	redundancy and duplication of efforts in processing of FFP invoices. The County-State Claims Processing Task Force will be kept informed and involved with proposals to utilize technology, training, or	Stan Bajorin, Administrative and Fiscal Services; Marcelo Acob, DMH, Accounting Officer.	07/01/2008
	for key processing tasks and monitor	Schedules and FFP invoices as of date of receipt of correct Approved Services Report from DCHS.	the DHCS will develop management benchmarks for claims processing and consult with the County-State Claims Processing Improvement Task Force to determine appropriate measures and testing modules with MHPs.	Stan Bajorin, Administrative and Fiscal Services; Marcelo Acob, DMH, Accounting Officer. Irv White, Chief, DHCS Waiver Unit; Dina Kokkos- Gonzales, DHCS.	7/01/2008

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Cost Settlements and Audits Are Not Performed Timely	the end of the fiscal year. Eliminate the acceptance of amended reports beyond this date and use	Fiscal Services Division (aka Cost Reporting) was successful in collapsing the timeframe for cost reports to be submitted by MHPs by several months for 2006 and achieved similar results in 2007. DMH has been working with MHPs through training and technical assistance to obtain the cost reports by the end of the calendar year. DMH has	DMH is discussing this recommendation internally to evaluate a more timely cost settlement process. The County-State Claims Processing Payment Improvement Task Force will be consulted about this effort. Currently in development is a Sub Committee to include DMH experts, fiscal, and audit and cost reports experts from San Francisco and Butte Counties.	Stan Bajorin, DMH Administrative and Fiscal Services; Marilyn Liddicoat, DMH Local Financial Program Cost Reports.	10/1/2008 (Adjusted from original date of 5/1/2008)
	(B) Conduct cost report audits within three years of submission of MHP's cost reports.	The issue deals with the definition and interpretation of the controlling statute. DMH Program Compliance Division/Audits Branch believes it is currently abiding by the statute by conducting audits of provider cost reports within three years of submission of amended cost reports. The amended cost report date is interpreted by DMH to be the date the provider is notified of the final settlement of its cost report by DMH. This can occur up to 17-20 months after the date of submission of the initial cost report. The initial cost report is submitted to the DMH by the provider six months after the close of the fiscal year.	will convene meetings with DMH Legal and Program Compliance internally, as well as, key stakeholders to assess the pros and cons of this recommendation.		10/1/2008 (Adjusted from original date of 5/1/2008)
		not be able to audit any cost reports submitted more than three years	Decisions need to be made on controlling statute definition and interpretation. Fiscal will convene meetings with DMH Legal and Program Compliance internally, as well as, key stakeholders to assess the pros and cons of this recommendation.		

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(continued) OBSERVATION 9: Cost Settlements and Audits Are Not Performed Timely	(B) Continued	· · · · · · · · · · · · · · · · · · ·	statute definition and interpretation. Fiscal will convene meetings with DMH Legal and Program Compliance internally, as well as, key stakeholders to assess the pros and cons of this recommendation.	Stan Bajorin, DMH Administrative and Fiscal Services; Rollin Ives, DMH, Program Compliance; Jim Hill, DMH, Audit Branch Chief.	10/1/2008 (Adjusted from original date of 5/1/2008)

	SHORT-DOYLE/MEDI-CAL CLAIMS PROCESSING CORRECTIVE ACTION PLAN						
OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	DATE OF ACTION PLANNED		
(continued) OBSERVATION 9: Cost Settlements and Audits Are Not Performed Timely	(C) DMH's Audit Unit should annually complete and document a comprehensive risk analysis of all MHPs as a basis for selecting which cost reports to audit. In the analysis, include all risk factors that are appropriate to effectively plan and execute the audits. Revise the audit plan/program to include a review of MHP's internal monitoring activities.	DMH Audits Branch Supervisors currently and routinely perform risk analysis in planning and selecting counties to be audited. This practice, though informal, is a critical part in the Audit Selection Criteria. Due to legislative hearings and May revise, DMH has postponed the target date for the corrective actions that will ensure timely cost settlements and audits to October 2008. Through our analysis and management discussions, it has been determined that this corrective action will require substantial investment of time, planning, and dialogue with counties, control agencies, and the legislature.	risk analysis procedures and will incorporate formalized procedures as part of the overall annual Audit Selection Criteria.	Rollin Ives, DMH, Program Compliance; Jim Hill, DMH, Audit Branch Chief	10/1/2008		
		The risk analysis as currently practiced by DMH Audits Branch is a part of the preliminary audit plan developed by Audit Supervisors that addresses the important issue of concentrating audit resources in areas that have the most risk of loss of Federal Financial Participation (FFP) and State General Fund. Due to legislative hearings and May revise, DMH has postponed the target date for the corrective actions that will ensure timely cost settlements and audits to October 2008. Through our analysis and management discussions, it has been determined that this corrective action will require substantial investment of time, planning, and dialogue with counties, control agencies, and the legislature.	Selection Criteria" will include identified risk factors which assist in determining the selection of Counties and Contract Providers to be audited annually.	Rollin Ives, DMH, Program Compliance; Jim Hill, DMH, Audit Branch Chief.	10/1/2008 (Adjusted from original date of 5/1/2008)		

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(continued) OBSERVATION 9: Cost Settlements and Audits Are Not Performed Timely		DMH Audits Branch is in the process of expanding the audit plan/program to include a section that will identify steps for reviewing and assessing MHPs Contract Providers Internal Control components. Due to legislative hearings and May revise, DMH has postponed the target date for the corrective actions that will ensure timely cost settlements and audits to October 2008. Through our analysis and management discussions, it has been determined that this corrective action will require substantial investment of time, planning, and dialogue with counties, control agencies, and the legislature.	, , ,	Rollin Ives, DMH, Program Compliance; Jim Hill, DMH, Audit Branch Chief.	10/1/2008 (Adjusted from original date of 5/1/2008)